



## The CommLaw Group

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June 29, 2007

Via Overnight Courier & Electronic Mail

Email: [Brian.Hendricks@fcc.gov](mailto:Brian.Hendricks@fcc.gov)

Mr. Brian Hendricks  
Investigations and Hearings Division  
Enforcement Bureau  
Federal Communications Commission  
c/o NATEK  
9300 East Hampton Drive  
Capitol Heights, Maryland 20743

Re: *Compass Global Inc.*  
*FCC File No. EB-06-IH-3060*

Dear Mr. Hendricks:

On behalf of Compass Global Inc. ("Compass"), transmitted herewith is its response to the May 7, 2007 inquiry of the Investigation and Hearings Division of the Federal Communications Commission's Enforcement Bureau, in connection with File No. EB-06-IH-3060.

Inquiries: Documents and Information to be Provided

1. Identify the year in which the Company first provided Telecommunications service in the United States and, if different, identify the year in which the Company first provided interstate Telecommunications services.

Response: The Commission granted Section 214 authorization to Compass on April 1, 1998. See Attachment 1. The 214 authorization was issued to Forval International Telecom, Inc. Forval changed its name to Compass, Inc. on December 9, 2000, and on February 2, 2001, Compass, Inc. added Compass Global, Inc. as a fictitious name.

Compass began providing international wholesale telecommunications services shortly after the Commission's grant of Section 214 authorization. Specifically, Compass engaged in refiling the

foreign-billed traffic of foreign telecommunications companies, whereby calls originating from international points traversed Compass' switch before being terminated in other international points. Compass began offering wholesale enhanced ("IP-in-the-Middle") carrier services in or around December 2004 and January 2005.

Compass also provides unaffiliated companies with toll-free access to its PIN accessible prepaid calling card switching platform. Compass provides these companies with platform access and switching capabilities for delivery of their private label prepaid calling cards. Compass is not identified as the communications transmission provider and is not associated in any way with the calling cards produced and sold by customers of its PIN accessible switching platform services.

2. For each year from 2005 to the present, identify all jurisdictions in which the Company provided or provides Telecommunications services. For each such jurisdiction, provide a copy of the Company's certification(s) to provide service and identify the type(s) of Telecommunications service provided.

Since 2005, Compass' service offerings can be divided into two broad, distinct categories:

- (1) wholesale "IP-in-the-Middle" services offered to other carriers and Enhanced Service Providers, and
- (2) PIN accessible switching platform services sold to unaffiliated companies seeking to private label, distribute or otherwise sell prepaid calling cards.

See Attachment 2, Network Diagram.

Neither of these services constitutes the provisioning of "telecommunications service" under current laws and regulations. As such, neither service is subject to market entry requirements at the state level. Compass is, therefore, not licensed to provide "telecommunications services" in any state.

Under pressure by the Commission and Sprint, and without first consulting with telecommunications counsel, Compass subjected itself to and has subsequently complied with the Universal Service Fund program in error. Compass anticipates taking corrective actions to align its federal regulatory filings with the current regulatory framework applicable to its two distinct services.

3. For each year from 2005 to the present, identify and provide the Company's:

- a. federal and state income tax returns;

2005 Federal Tax Return and 2005 New Jersey State Tax Return attached hereto. See Attachment 3-A-B. Compass has not filed its 2006 tax returns at this time, but has sought appropriate extensions. See Attachment 3-C.

- b. financial statements, audited and unaudited;

2005, 2006 and 2007 YTD financial statements attached hereto. See Attachment 4.

- c. total revenue;

|           |              |
|-----------|--------------|
| 2005:     | \$42,404,108 |
| 2006:     | \$50,451,238 |
| 2007 YTD: | \$30,791,193 |

- d. revenues disaggregated by intrastate Telecommunications revenues, interstate Telecommunications revenues, international Telecommunications revenues, and non-Telecommunications revenue; and

N/A. See Attachment 5-A.

- e. each non-Telecommunications product or service and its associated revenue.

See Attachment 5-A.

- 4. For each year from 2005 to the present, identify all the Company's carrier-customers (i.e., resellers to which the Company provides Telecommunications services). For each carrier-customer identify:
  - a. the total amount the Company billed it annually;
  - b. the type(s) of Telecommunications service provided to it by the Company;
  - c. the carrier-customer's registration or 499 Filer ID number;
  - d. the date on which the Company confirmed the customer's registration; and
  - e. the Company's employee or agent who confirmed such registration.

See Attachment 5-B.

- 5. Identify and provide copies of all Telecommunications Reporting Worksheets (FCC Forms 499-A and 499-Q) filed with the Universal Service Administrative Company ("USAC") by the Company for each year from 2005 to the present. For each such worksheet required, but not filed by the Company with USAC, indicate the reason(s) the worksheet was not filed in compliance with Commission regulations and, where applicable, the date on which the Company late-filed such forms with USAC.

On June 9, 2006, the Commission's Investigations and Hearings Division ("IHD") mailed two Section 64.1195 Compliance Surveys addressed to Compass and Forval. See Attachment 6-A. As explained in response to Question 1, Compass and Forval are the same corporate entity. IHD's Surveys informed Compass that other carriers with whom Compass exchanges communications traffic had identified it as a customer.

As explained in response to Question 2, Compass is neither a provider nor customer of "telecommunications services," with the exception of switched toll-free inbound service that is integrated with Compass' PIN accessible switching platform service.

Following receipt of the IHD's June 9<sup>th</sup> letters, Dean Cary, Compass' founder and principal, communicated to IHD staff his mistaken belief that the company was exempt from ITSP Registration and Form 499 reporting requirements because Compass was a pure "wholesaler" and did not sell any services to the public. IHD rejected this claim.

Concerned by IHD's position coupled by a request for proof of Filer ID from Sprint, Compass' toll-free inbound provider, Mr. Cary retained accounting firm Hinton, Kreditor & Gronroos, LLP ("HKG") which, prior to retention, proclaimed experience in the area of Form 499 preparation. HKG proceeded to register Compass as an ITSP on September 5, 2006. See Attachment 6-B - 2006 Form 499-A initial registration (incorrectly reporting 2005 revenue). USAC subsequently assigned Compass a Filer ID.

FKG proceeded to prepare and file all Form 499s due during 2006 and 2007. See Attachment 6-C, 499-Qs for 2006; see Attachment 6-D, 499-Qs for 2007; see Attachment 6-E, 499-A for 2007.

Compass took all of the above-described actions without a complete understanding of the law, regulations and 499 reporting requirements. Compass also took these actions without consulting with experienced telecommunications counsel.

6. State whether the Company has contributed to the federal Universal Service Fund ("USF").

Yes.

a. If the Company has contributed, identify:

- i. for each month beginning in January of 2006, the amounts invoiced to the Company by the Universal Service Administrative Company ("USAC") and provide copies of each monthly invoice;
- ii. for each month beginning in January of 2006, the amount the Company paid for each invoice and the date on which the Company made payment. Identify the contributing entity and the 499 Filer ID number under which the amounts were paid;
- iii. the date(s) on which the invoiced amounts identified in response to inquiry 6.a.i. above were due to be paid;
- iv. the months in which the Company remitted less than the total amount due as indicated on the monthly invoice received from USAC;
- v. where applicable, and for each invoice, the reason(s) the Company failed to remit the entire amount due under that invoice.

See Attachment 7.

b. If the Company has not contributed, state whether the Company has ever claimed an exemption from contributing and, if so, identify:

- i. the exempt entity and its registration and 499 Filer ID numbers;
- ii. the ground(s) for such exemption;
- iii. the year(s) that such exemption applied; and
- iv. identify any documents that support such claim.

c. Identify the contribution(s) that Company owes or owed, excluding any Debt Collection Improvement Act ("DCLA") transfers, for each month from January 2005 to the present.

See Attachment 7.

7. State whether the Company has contributed to the Telephone Relay Service ("TRS") fund.

a. If the Company has contributed, identify:

- i. the amounts invoiced to the Company by the National Exchange Carrier Association ("NECA") and provide copies of each monthly invoice;
- ii. the amount the Company paid for each invoice and the date on which the Company made payment. Identify the contributing entity and the 499 Filer ID number under which the amounts were paid;

- iii. the date(s) on which the invoiced amounts identified in response to inquiry 7.a.i. above were due to be paid;
  - iv. the date(s) on which the Company remitted less than the total amount due as indicated on the monthly invoice received from NECA; and
  - v. where applicable, and for each invoice, the reason(s) the Company failed to remit the entire amount due under that invoice.
- b. If the Company has not contributed, state whether the Company has ever claimed an exemption from contributing and, if so, identify:
- i. the exempt entity and its registration and 499 Filer ID numbers;
  - ii. the ground(s) for such exemption;
  - iii. the year(s) that such exemption applied; and
  - iv. identify any documents that support such claim.
- c. Identify the contribution(s) that the Company owes or owed, excluding any DCIA transfers, for each month from January 2005 to the present.

See Attachment 7.

8. State whether the Company has contributed to the North American Numbering Portability Association ("NANPA") fund.

Yes.

- a. If the Company has contributed, identify:
- i. the amounts invoiced to the Company by the NANPA Administrator and provide copies of each monthly invoice;
  - ii. the amount the Company paid for each invoice and the date on which the Company made payment. Identify the contributing entity and the 499 Filer ID number under which the amounts were paid;
  - iii. the date(s) on which the invoiced amounts identified in response to inquiry 8.a.i. above were due to be paid;
  - iv. the invoices for which the Company remitted less than the total amount due; and
  - v. where applicable, and for each invoice, the reason(s) the Company failed to remit the entire amount due under than invoice.
- b. If the Company has not contributed, state whether the Company has ever claimed an exemption from contributing and, if so, identify:
- i. the exempt entity and its registration and 499 Filer ID numbers;
  - ii. the ground(s) for such exemption;
  - iii. the year(s) that such exemption applied; and
  - iv. identify any documents that support such claim.
- c. Identify the contribution(s) that the Company owes or owed, excluding any DCIA transfers, for each month from January 2005 to the present.

See Attachment 7.

9. For each DCIA transfer of debt owed by the Company, identify:

- a. the 499 Filer ID number under which the transfer was made;
- b. the date transferred;
- c. the amount transferred;
- d. the due date;
- e. the amount paid;
- f. the date paid;
- g. the current balance; and
- h. the date of such balance.

None. Not applicable.

10. For each month beginning with January of 2006, provide copies of all statements of account received by the Company from USAC, and identify:

- a. amounts due for each statement of account;
- b. amounts paid by the Company for each statement of account;
- c. any month in which the Company remitted less than the total amount due for that statement of account; and
- d. where applicable, the reason(s) the Company failed to remit the entire amount due under each statement of account.

See Attachment 7.

11. State whether the Company has paid annual regulatory fees to the Federal Communications Commission.

- a. If the Company has paid regulatory fees, provide copies of all FCC Forms 159 filed by the Company from January 2005 to the present, and identify:
  - i. the amounts invoiced to the Company for regulatory fees;
  - ii. the amount paid for each invoice;
  - iii. the paying entity and the FRN under which the amounts were paid;
  - iv. the dates on which such sums were due to be paid;
  - v. the dates on which such sums were due to be paid;
  - vi. any invoice(s) for which the Company remitted less than the total amount due; and
  - vii. where applicable, and for each invoice, the reason(s) the Company failed to remit the entire amount due under than invoice.
- b. If the Company has not paid regulatory fees, state whether the Company has been exempt from payment of regulatory fees or has been granted a regulatory fee waiver. If so, provide a copy of any waiver grant letter, and identify:
  - i. the subject entity and its FRN;
  - ii. the ground(s) for exemption or waiver; and
  - iii. the year(s) that such exemption or waiver applied; and
  - iv. identify any documents that support such claim;
- c. Identify the regulatory fees that the Company owes or owed, excluding any DCIA transfers, for each year from 2005 to the present.

To the best of Compass' knowledge, it has not received any FCC regulatory fee invoices or Forms 159-W as of this date. This is not unexpected for a company that filed its 499-A initial registration on September 5, 2006. Form 159-W is generally distributed to registered companies in July/ August and is due in late August or early September.

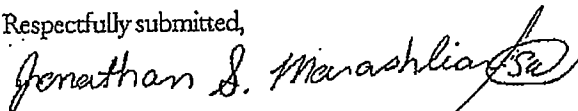
12. State whether the Company has charged USF, TRS Fund, NANPA Fund, or federal regulatory fees to customers. If so, for each type of Telecommunications service provided in each year from 2005 to the present, identify how much revenue was collected by such charges and how the customer fee charge was calculated for each such category.

Compass has not charged either its wholesale "IP-in-the-Middle" or PIN accessible switching platform services customers USF, TRS Fund, NANPA Fund, or federal regulatory fees.

An additional copy of this letter is enclosed herewith, to be date-stamped and returned in the postage-prepaid envelope provided.

Should there be any questions regarding this matter, kindly contact the undersigned.

Respectfully submitted,




Jonathan S. Marashlian

cc: Dean Cary

Attachment 1

FCC 214 Authorization and Corporate History



|   |
|---|
|  Federal Communications Commission                               |
| <b>INTERNATIONAL BUREAU</b><br><b>FCC SELECTED APPLICATION LISTING BY FILE NUMBER</b><br><b>REPORT WR07 - Wed Jun 27 12:48:36 US/Eastern 2007</b> |
| File Number = ITC2141998013000058;  |

|  |   |
|--|---|
| <b>File Number:</b> ITC-214-19980130-00058                         | <b>Accepted For Filing PN Date:</b><br>02/25/1998 |
| <b>Callsign:</b> None  | <b>Action Taken PN Date:</b><br>04/02/1998        |
| <b>Streamlined:</b> Y  | <b>Term Begin Date:</b> None                      |
| <b>Environmental Impact:</b> None                                  | <b>Term End Date:</b> None                        |
| <b>Status:</b> Action Complete                                     | <b>Date Filed:</b> 01/30/1998                     |
| <b>Red Light:</b> N  |   |
| <b>Status Date:</b> None   |   |
| <b>Last Action:</b> Grant of Authority                             | <b>Last Action Date:</b> 04/01/1998               |
| <b>Grant Date:</b> 04/01/1998                                      | <b>Bond Date:</b> None                            |
| <b>DA #:</b> None  | <b>Adopted Date:</b> 04/02/1998                   |
| <b>Released Date:</b> 04/02/1998                                   |   |
| <b>Service Type:</b> Global Facilities-Based/Global Resale Service |   |

|  |
|--|
| <b>Document Viewing</b>  |
| <u>Site Information</u>  |
| <u>Other filings related to this application</u><br>(Petitions, comments, etc) |

|                                    |
|------------------------------------|
| <b>Old File Number:</b> ITC-98-156 |
|------------------------------------|

|   |                      |
|---|----------------------|
| <b>Applicant:</b><br>FORVAL INTERNATIONAL TELECOM,<br>INC.<br>71 Burnwood Lane<br>UPPER SADDLE RIVER, NJ 07458 USA  | <b>Contact:</b> None |
| <b>Description:</b> Application for authority to operate as a facilities-based carrier in accordance with the provisions of Section 63.18(e)(1) of the rules and also to provide service in accordance with the provisions of Section 63.18(e)(2) of the rules. |                      |

**Pre-Defined Reports**

[International Telecommunications](#) | [Satellite Earth Stations](#) | [Satellite Space Stations](#) |  
[International HF Broadcast Stations and Public Fixed Radio Stations](#) | [General Reports](#)

Dec-21-00 12:07P

Dec-21-00 09:57A

NEW JERSEY

NO. 271

P. 2/2

P. 02

P. 01

C&N

FILED

DEC 19 2000

State Treasurer  
Roland Michels

# Certificate of Amendment to the Certificate of Incorporation

Mail To:  
Secretary of State  
CN 308  
Trenton, NJ 08625

Titles 14A:9-2(4) and 14A:9-4(3) New Jersey Business Corporations Act

Pursuant to the provisions of the above-cited Statute, the undersigned corporation executes the following Certificate of Amendment to its Certificate of Incorporation.

1. Name of the Corporation: Norval International Telecom, Inc.
2. Corporation Number: 0100-7314-57 12/19/98
3. Article First of the Certificate of Incorporation is hereby amended in and as follows:  
The name of the Corporation is COMPASS, INC.
4. Article Third of the Certificate of Incorporation is amended to read:

The location of the main office of this Corporation is 50 Tice Boulevard, in the Borough of Woodcliff Lake, County of Bergen, State of New Jersey. The registered Agent of the Corporation is William L. Strasser, Esq. The address of the Registered Agent is Paramus Plaza I, 140 Route 17 North, Suite 265, Paramus New Jersey 07652-2816.

5. The Corporation does not have members

A. For Corporation with members  
Number entitled to vote: 1 voting for: 1 voting against: 0

If any class or classes of members are entitled to vote as a class, set forth the number of members of each class, the series of the votes of each class, voting for and against, and the number of members present at the meeting.

X Adoption was by unanimous written consent without meeting

Date of adoption: \_\_\_\_\_

6. The foregoing amendment was adopted by the unanimous consent of the Shareholders on December 18, 2000.

7 Effective date: December 19, 2000

Signature: William L. Strasser  
WILLIAM L. STRASSER, SECRETARY

Date: 12-19-2000

STANDARD &  
ASSOCIATES  
A PROFESSIONAL CORPORATION

S 884582  
JT663270 0100731457

C-104G Rev. 7/1/02

New Jersey Division of Revenue

FILED

JAN 13 2003

STATE TREASURER

**CERTIFICATE of CHANGE of REGISTERED OFFICE  
&/or REGISTERED AGENT**

*(For Use by Domestic and Foreign, Profit and Non-profit Corporations)*

**CORPORATION NAME:**

Compass, Inc. (Forval International Telecon, Inc.)

**STATE OF ORIGINAL INCORPORATION:**

New Jersey

**IMPORTANT - INCLUDE INFORMATION ON BOTH THE PRIOR AND NEW AGENT**

**PRIOR AGENT NAME:**

Corporation Trust Co.

**NEW AGENT NAME:**

William I. Strasser, Esq.  
Strasser & Associates, P.C.

**PRIOR AGENT STREET ADDRESS**

820 Bear Tavern Road

**NEW AGENT STREET ADDRESS**

7 East Ridgewood Avenue

**CITY**

**STATE**

**ZIP**

**CITY**

**STATE**

**ZIP**

Trenton

NJ

08628

Paramus

NJ

07652

The corporation states that the address of its new registered office and the address of its new registered agent are identical. Further, the changes designated on this form were authorized by resolution duly adopted by its board of directors or members.

By

(Signature of Officer)

Title

(Type)

Date:

12/28/02

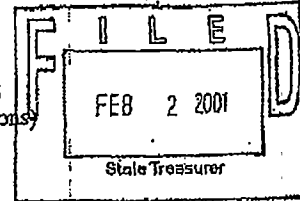
**NOTE -** This form must be executed by the chairman of the board, the president, or the vice president of the corporation.

**FEES:** Change of Agent Name-\$25.00  
Change of Agent Address-\$25.00  
Change of Both-\$25.00

**MAIL TO:** NJ Division of Revenue  
PO Box 308  
Trenton, NJ 08625

Make checks payable to: **TREASURER, STATE of NEW JERSEY (NO CASH PLEASE)**

**REGISTRATION OF ALTERNATE NAME**  
(For Use by Domestic Profit and Foreign Corporations)  
(Profit and Nonprofit Corporations)



Check Appropriate Statute:

- ☒ Title 14A:2-2.1(2) New Jersey Business Corporations Act  
☐ Title 15A:2-2.3(b) New Jersey Nonprofit Corporations Act

Mail to: Department of the Treasury, Division of Revenue, CN-308, Trenton,  
N.J. 08625

Pursuant to the provisions of the appropriate Statute, checked above, of the New Jersey Statutes, the undersigned corporation hereby applies for the registration of an Alternate Name in New Jersey for a period of five (5) years, and for that purpose submits the following application:

1. Name of Corporation: COMPASS, INC.
2. Corporation Number: 0100731457
3. State of Original Incorporation: New Jersey
4. Date of Incorporation: 12/01/98
5. Alternate Name to be used: COMPASS GLOBAL, INC.
6. The Character or Nature of the Particular Business/Activity to be Conducted using the Alternate Name is:

**FOR IDENTIFICATION OF CORPORATE ACTIVITIES**

7. The Corporation Intends to Use the Alternate Name in this State.
8. The Corporation has not previously used the Alternate Name in this State in Violation of this Statute, or if it has, the month and year in which it commenced such use is: NOT APPLICABLE

Signature: \_\_\_\_\_

Name: Mr. Dean H. Cary

Title: Chairman of the Board

Date: January 22, 2001

STRASSER &  
ASSOCIATES  
A PROFESSIONAL CORPORATION

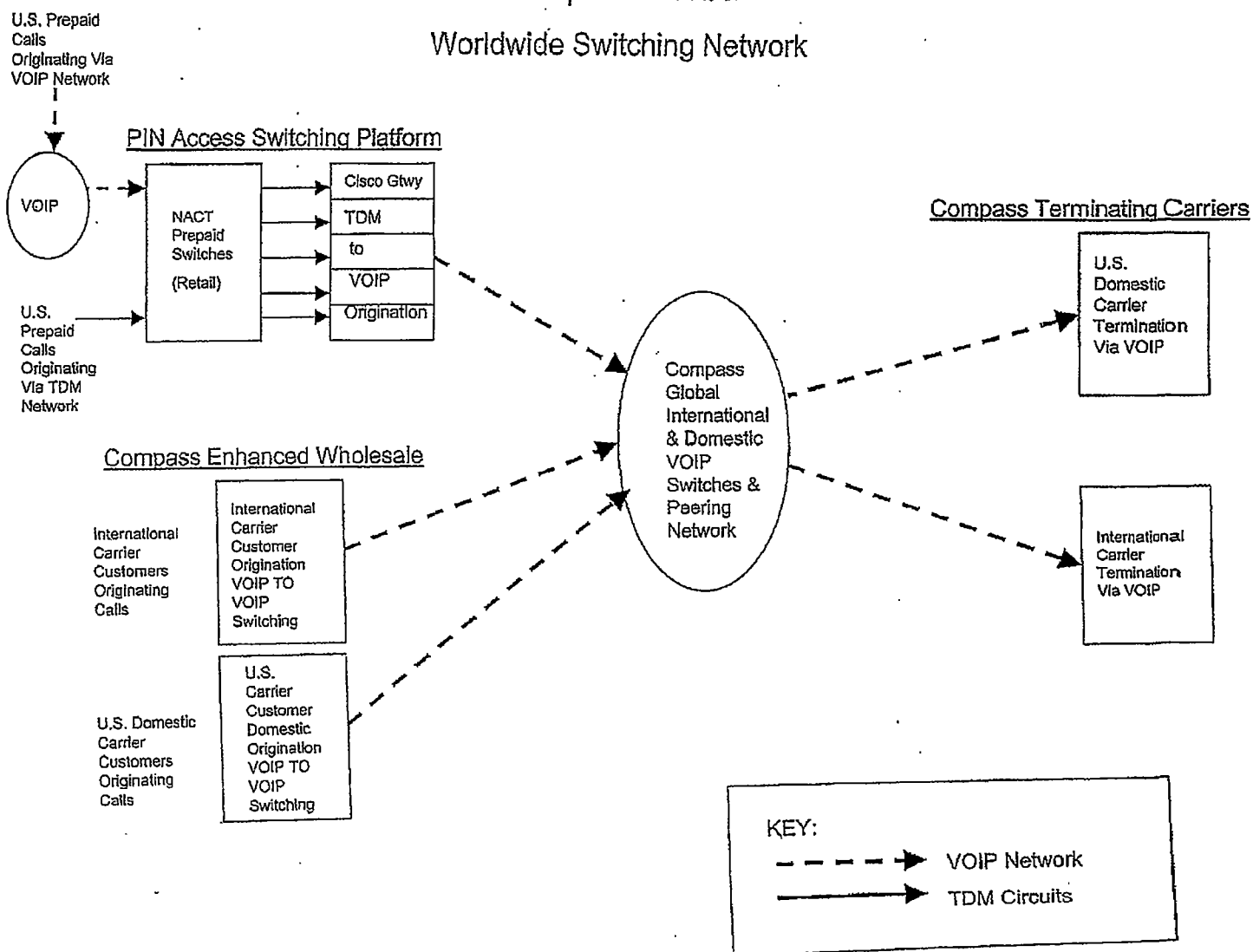
0100731457

8903407

71723141

Attachment 2  
Network Diagram

# Compass Global Worldwide Switching Network



Attachment 3-A  
2005 Federal Tax Return

Form 1120

Department of the Treasury  
Internal Revenue Service

## U.S. Corporation Income Tax Return

For calendar year 2005 or tax year beginning \_\_\_\_\_, 2005, ending \_\_\_\_\_

➤ See separate instructions.

|   |   |  |  |  |  |  |  |   |  |   |                 |   |            |             |
|---|---|--|--|--|--|--|--|---|--|---|-----------------|---|------------|-------------|
| <b>Check 1:</b><br><input type="checkbox"/> Consolidated return (attach Form 951)   |   | <b>Check 2:</b><br><input type="checkbox"/> Personal holding company (attach Form 970) |  | <b>Check 3:</b><br><input type="checkbox"/> Personal service corp (see instructions) |  | <b>Check 4:</b><br><input type="checkbox"/> Schedule M-3 required (attach Sch M-3) |  | <b>Use IRS label.</b><br><input type="checkbox"/> Otherwise, print or type. |  | <b>COMPASS, INC.</b><br><b>FORMERLY FORVAL INTL TELEPHONE, INC</b><br><b>50 TICE BLVD. - 3RD FLOOR</b><br><b>WOODCLIFF LAKE, NJ 07677</b> |                 | <b>22-3559398</b><br><b>Date incorporated</b><br><b>1/13/1998</b><br><b>Total assets (see instructions)</b><br><b>\$ 4,016,762.</b> |            |             |
| <b>E Check if:</b> (1) Initial return (2) Final return (3) Name change (4) Address change   |   |  |  |  |  |  |  |   |  |   |                 |   |            |             |
| <b>INCOME</b>   | 1a Gross receipts or sales <b>42,404,108.</b> 1b Less returns & allowances                                  |  |  |  |  |  |  |   |  |   | 1c Balance      |   | 1c         | 42,404,108. |
|   | 2 Cost of goods sold (Schedule A, line 8)   |  |  |  |  |  |  |   |  |   |                 |   | 2          | 40,444,346. |
|   | 3 Gross profit. Subtract line 2 from line 1c  |  |  |  |  |  |  |   |  |   |                 |   | 3          | 1,959,762.  |
|   | 4 Dividends (Schedule C, line 19)   |  |  |  |  |  |  |   |  |   |                 |   | 4          |             |
|   | 5 Interest  |  |  |  |  |  |  |   |  |   |                 |   | 5          |             |
|   | 6 Gross rents   |  |  |  |  |  |  |   |  |   |                 |   | 6          |             |
|   | 7 Gross royalties   |  |  |  |  |  |  |   |  |   |                 |   | 7          |             |
|   | 8 Capital gain net income (attach Schedule D (Form 1120))   |  |  |  |  |  |  |   |  |   |                 |   | 8          |             |
|   | 9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)                                    |  |  |  |  |  |  |   |  |   |                 |   | 9          |             |
|   | 10 Other income (see instructions - attach schedule)  |  |  |  |  |  |  |   |  |   |                 |   | 10         |             |
| 11 Total income. Add lines 3 through 10   |   |  |  |  |  |  |  |   |  |   |                 | 11  | 1,959,762. |             |
| <b>DEDUCTIONS</b>   | 12 Compensation of officers (Schedule E, line 4)  |  |  |  |  |  |  |   |  |   |                 |   | 12         | 186,107.    |
|   | 13 Salaries and wages (less employment credits)   |  |  |  |  |  |  |   |  |   |                 |   | 13         | 860,994.    |
|   | 14 Repairs and maintenance  |  |  |  |  |  |  |   |  |   |                 |   | 14         | 4,137.      |
|   | 15 Bad debts  |  |  |  |  |  |  |   |  |   |                 |   | 15         | 14,120.     |
|   | 16 Rents  |  |  |  |  |  |  |   |  |   |                 |   | 16         | 144,016.    |
|   | 17 Taxes and licenses   |  |  |  |  |  |  |   |  |   |                 |   | 17         | 108,430.    |
|   | 18 Interest   |  |  |  |  |  |  |   |  |   |                 |   | 18         |             |
|   | 19 Charitable contributions (see instructions for 10% limitation)   |  |  |  |  |  |  |   |  |   |                 |   | 19         | 0.          |
|   | 20a Depreciation (attach Form 4562)   |  |  |  |  |  |  |   |  |   | 20a 24,727.     |   | 20c        | 24,727.     |
|   | 20b Less depreciation claimed on Schedule A and elsewhere on return   |  |  |  |  |  |  |   |  |   | 20b             |   | 20d        |             |
| <b>TAX AND PAYMENTS</b>   | 21 Depletion  |  |  |  |  |  |  |   |  |   |                 |   | 21         | 775.        |
|   | 22 Advertising  |  |  |  |  |  |  |   |  |   |                 |   | 22         | -6,729.     |
|   | 23 Pension, profit-sharing, etc. plans  |  |  |  |  |  |  |   |  |   |                 |   | 23         | 108,331.    |
|   | 24 Employee benefit programs  |  |  |  |  |  |  |   |  |   |                 |   | 24         |             |
|   | 25 Domestic production activities deduction (attach Form 8903)  |  |  |  |  |  |  |   |  |   | See Statement 1 |   | 25         | 639,474.    |
|   | 26 Other deductions (attach schedule)   |  |  |  |  |  |  |   |  |   |                 |   | 26         | 2,084,382.  |
|   | 27 Total deductions. Add lines 12 through 26  |  |  |  |  |  |  |   |  |   |                 |   | 27         | -124,620.   |
|   | 28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 |  |  |  |  |  |  |   |  |   | 0.              |   | 28         |             |
|   | 29a Less: a Net operating loss deduction (see instructions) See. St. 2.                                     |  |  |  |  |  |  |   |  |   | 29a             |   | 29c        |             |
|   | 29b Special deductions (Schedule C, line 20)  |  |  |  |  |  |  |   |  |   | 29b             |   | 29d        | -124,620.   |
| 30 Taxable income. Subtract line 29c from line 28 (see instructions if Sch C, line 12, was completed)   |   |  |  |  |  |  |  |   |  |   |                 | 30  | 0.         |             |
| 31 Total tax (Schedule J, line 11)  |   |  |  |  |  |  |  |   |  |   |                 | 31  |            |             |
| 32a Payments: a 2004 overpayment credited to 2005   |   |  |  |  |  |  |  |   |  | 32a   |                 | 32c   |            |             |
| 32b 2005 estimated tax payments   |   |  |  |  |  |  |  |   |  | 32b   |                 | 32d   | 0.         |             |
| 32c Less 2005 refund applied for on Form 4466   |   |  |  |  |  |  |  |   |  | 32c   |                 | 32e   |            |             |
| 32d Tax deposited with Form 7004  |   |  |  |  |  |  |  |   |  | 32d   |                 | 32f   |            |             |
| 32e Credits: (1) Form 2439 (2) Form 4136  |   |  |  |  |  |  |  |   |  | 32e   |                 | 32g   |            |             |
| 33 Estimated tax penalty (see instructions). Check if Form 2220 is attached   |   |  |  |  |  |  |  |   |  |   |                 | 33  | 0.         |             |
| 34 Tax due. If line 32g is smaller than the total of lines 31 and 33, enter amount owed   |   |  |  |  |  |  |  |   |  |   |                 | 34  |            |             |
| 35 Overpayment. If line 32g is larger than the total of lines 31 and 33, enter amount overpaid  |   |  |  |  |  |  |  |   |  |   |                 | 35  |            |             |
| 36 Enter amount of line 35 you want Credited to 2006 estimated tax  |   |  |  |  |  |  |  |   |  |   |                 | 36  |            |             |
| Under penalties of perjury, I declare that I prepared this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Information of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. |   |  |  |  |  |  |  |   |  |   |                 |   |            |             |
| Signature of officer <u>Robert J. Iracane</u> Date <u>1/29/2007</u> Title <u>PREP/CFO</u>   |   |  |  |  |  |  |  |   |  |   |                 |   |            |             |
| Refunded <input type="checkbox"/>   |   |  |  |  |  |  |  |   |  |   |                 |   |            |             |
| May the IRS discuss this return with the preparer shown below? (see instructions) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No   |   |  |  |  |  |  |  |   |  |   |                 |   |            |             |
| Paid Preparer's Use Only: Preparer's signature <u>Robert J. Iracane CPA</u> Date <u>1/24/07</u> Check if self-employed <input checked="" type="checkbox"/> P00000167 EIN <u>22-2669518</u>  |   |  |  |  |  |  |  |   |  |   |                 |   |            |             |
| Firm's Name (or your firm's name if self-employed), address, and ZIP code <u>Robert J. Iracane CPA</u><br><u>9 North Beverwyck Road</u><br><u>Lake Hiawatha, NJ 07034-2514</u>  |   |  |  |  |  |  |  |   |  |   |                 |   |            |             |
| Phone no. <u>(973) 335-7554</u> Form 1120 (2005)  |   |  |  |  |  |  |  |   |  |   |                 |   |            |             |

BAA For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

CPCA0205L 12/12/05

Form 1120 (2005)



Form 1120

Department of the Treasury  
Internal Revenue Service

## U.S. Corporation Income Tax Return

For calendar year 2005 or tax year beginning \_\_\_\_\_, 2005, ending \_\_\_\_\_

See separate instructions.

OMB No. 1545-0123

2005

- A Check if:
- 1 Consolidated return (attach Form 990) ☐
- 2 Personal holding company (attach Schedule PH) ☐
- 3 Personal service corp (see instructions) ☐
- 4 Schedule M-3 required (attach Sch M-3) ☐

Use IRS label.  
Otherwise, print or type.

COMPASS, INC.  
FORMERLY FORVAL INTL TELEPHONE, INC  
50 TICE BLVD. - 3RD FLOOR  
WOODCLIFF LAKE, NJ 07677

B Employer identification number

22-3559398

C Date incorporated

1/13/1998

D Total assets (see instructions)

\$ 4,016,762.

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

| 1 INCOME  |                 | 2 c Balance |             |
|---|-----------------|-------------|-------------|
| 1 a Gross receipts or sales   | 42,404,108.     | 1 c         | 42,404,108. |
| 2 Cost of goods sold (Schedule A, line 8)   |                 | 2           | 40,444,346. |
| 3 Gross profit. Subtract line 2 from line 1c  |                 | 3           | 1,959,762.  |
| 4 Dividends (Schedule C, line 19)   |                 | 4           |             |
| 5 Interest  |                 | 5           |             |
| 6 Gross rents   |                 | 6           |             |
| 7 Gross royalties   |                 | 7           |             |
| 8 Capital gain net income (attach Schedule D (Form 1120))   |                 | 8           |             |
| 9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)                                    |                 | 9           |             |
| 10 Other income (see instructions - attach schedule)  |                 | 10          |             |
| 11 Total income. Add lines 3 through 10   |                 | 11          | 1,959,762.  |
| 12 Compensation of officers (Schedule E, line 4)  |                 | 12          | 186,307.    |
| 13 Salaries and wages (less employment credits)   |                 | 13          | 860,994.    |
| 14 Repairs and maintenance  |                 | 14          | 4,137.      |
| 15 Bad debts  |                 | 15          | 14,120.     |
| 16 Rents  |                 | 16          | 144,016.    |
| 17 Taxes and licenses   |                 | 17          | 108,430.    |
| 18 Interest   |                 | 18          |             |
| 19 Charitable contributions (see instructions for 10% limitation)   |                 | 19          | 0.          |
| 20 a Depreciation (attach Form 4562)  | 20 a 24,727.    | 20 c        | 24,727.     |
| b Less depreciation claimed on Schedule A and elsewhere on return   | 20 b            | 21          | 775.        |
| 21 Depletion  |                 | 22          | -6,729.     |
| 22 Advertising  |                 | 23          | 108,331.    |
| 23 Pension, profit-sharing, etc. plans  |                 | 24          |             |
| 24 Employee benefit programs  |                 | 25          |             |
| 25 Domestic production activities deduction (attach Form 8903)  |                 | 26          | 639,474.    |
| 26 Other deductions (attach schedule)   | SEE STATEMENT 1 | 27          | 2,084,382.  |
| 27 Total deductions. Add lines 12 through 26  |                 | 28          | -124,620.   |
| 28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 |                 | 29 a        | 0.          |
| 29 Less: a Net operating loss deduction (see instructions)  | SEE ST 2        | 29 b        |             |
| b Special deductions (Schedule C, line 20)  |                 | 30          | -124,620.   |
| 30 Taxable income. Subtract line 29c from line 28 (see instructions if Sch C, line 12, was completed)       |                 | 31          | 0.          |
| 31 Total tax (Schedule J, line 11)  |                 | 32 a        |             |
| 32 Payments: a 2004 overpayment credited to 2005  | 32 a            | 32 b        |             |
| b 2005 estimated tax payments   | 32 b            | 32 c        |             |
| c Less 2005 refund applied for on Form 4466   | 32 c            | d Bal       | 32 d 0.     |
| e Tax deposited with Form 7004  |                 | 32 e        |             |
| f Credits: (1) Form 2439 (2) Form 4796  |                 | 32 f        |             |
| 33 Estimated tax penalty (see instructions). Check if Form 2220 is attached                                 |                 | 33          | 0.          |
| 34 Tax due. If line 32g is smaller than the total of lines 31 and 33, enter amount owed                     |                 | 34          |             |
| 35 Overpayment. If line 32g is larger than the total of lines 31 and 33, enter amount overpaid              |                 | 35          |             |
| 36 Enter amount of line 35 you want credited to 2005 estimated tax  |                 | 36          |             |

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

May the IRS discuss this return with the preparer shown below? (See inst)

☒ Yes ☐ No

Signature of officer

Date

Title

Preparer's SSN or PTIN

Paid Preparer's Use Only

Preparer's signature

ROBERT J. IRACANE

Date

Check if self-employed ☒

EIN

22-2669518

Firm's Name (or yours if self-employed), address, and ZIP code

ROBERT J. IRACANE CPA  
9 NORTH BEVERLYWYCK ROAD  
LAKE HIAWATHA, NJ 07034-2514

Phone no. (973) 335-7554

Form 1120 (2005)

BAA For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

CPA0205L 12/12/05

Form 1120 (2005) COMPASS, INC. 22-3559398

| Schedule A Cost of Goods Sold (see instructions) |   | 1 |             |
|--|---|---|-------------|
| 1  | Inventory at beginning of year  | 2 | 40,444,346. |
| 2  | Purchases   | 3 |             |
| 3  | Cost of labor   | 4 |             |
| 4  | Additional Section 263A costs (attach schedule)                                   | 5 |             |
| 5  | Other costs (attach schedule)   | 6 | 40,444,346. |
| 6  | Total. Add lines 1 through 5  | 7 |             |
| 7  | Inventory at end of year  | 8 | 40,444,346. |
| 8  | Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2 |   |             |

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost(ii) ☐ Lower of cost or market(iii) ☐ Other (Specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods.

c Check if the LIFO inventory method was adopted this tax year for any goods (If checked, attach Form 970).

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory

9d

☐ Yes ☒ No

computed under LIFO

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation?

☐ Yes ☒ No

f Was there any change in determining quantities, cost, or valuations between opening and

closing inventory? If 'Yes,' attach explanation.

| Schedule D Dividends and Special Deductions (see instructions) |  | (a) Dividends received | (b) Percentage | (c) Special deductions (a) x (b) |
|--|--|------------------------|----------------|----------------------------------|
| 1  | Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)  |                        | 70             |                                  |
| 2  | Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)  |                        | 80             |                                  |
| 3  | Dividends on debt-financed stock of domestic and foreign corporations  |                        | SEE INSTR.     |                                  |
| 4  | Dividends on certain preferred stock of less-than-20%-owned public utilities   |                        | 42             |                                  |
| 5  | Dividends on certain preferred stock of 20%-or-more-owned public utilities   |                        | 48             |                                  |
| 6  | Dividends from less-than-20%-owned foreign corporations and certain FSCs   |                        | 70             |                                  |
| 7  | Dividends from 20%-or-more-owned foreign corporations and certain FSCs   |                        | 80             |                                  |
| 8  | Dividends from wholly owned foreign subsidiaries   |                        | 100            |                                  |
| 9  | Total. Add lines 1 through 8. See Instructions for limitation.   |                        |                |                                  |
| 10   | Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1980 |                        | 100            |                                  |
| 11   | Dividends from affiliated group members and certain FSCs   |                        | 100            |                                  |
| 12   | Dividends from controlled foreign corporations (attach Form 8895)  |                        | 85             |                                  |
| 13   | Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12  |                        |                |                                  |
| 14   | Income from controlled foreign corporations under subpart F (attach Form(s) 5471)  |                        |                |                                  |
| 15   | Foreign dividend gross-up  |                        |                |                                  |
| 16   | IG-DISC and former DISC dividends not included on lines 1, 2, or 3   |                        |                |                                  |
| 17   | Other dividends  |                        |                |                                  |
| 18   | Deduction for dividends paid on certain preferred stock of public utilities  |                        |                |                                  |
| 19   | Total dividends. Add lines 1 through 17. Enter here and on page 1, line 29b  |                        |                |                                  |
| 20   | Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 12   |                        |                |                                  |

Schedule E Compensation of Officers (see Instructions for page 1, line 12)  
Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

| 1 | (a) Name of officer   | (b) Social security number | (c) Percent of time devoted to business | Percent of corporation stock owned |               | (f) Amount of compensation |
|---|---|----------------------------|---|------------------------------------|---------------|----------------------------|
|   |   |                            |   | (d) Common                         | (e) Preferred |                            |
|   | DEAN CARY   | 471-58-6010                | 100 %                                   | 0.00 %                             | 0.00 %        | 186,107.                   |
|   |   |                            | %                                       | %                                  | %             |                            |
|   |   |                            | %                                       | %                                  | %             |                            |
|   |   |                            | %                                       | %                                  | %             |                            |
|   |   |                            | %                                       | %                                  | %             |                            |
| 2 | Total compensation of officers  |                            |   |                                    |               | 186,107.                   |
| 3 | Compensation of officers claimed on Schedule A and elsewhere on return    |                            |   |                                    |               | 186,107.                   |
| 4 | Subtract line 3 from line 2. Enter the result here and on page 1, line 12 |                            |   |                                    |               |                            |

Form 1120 (2005) COMPASS, INC. 22-3559398

**Schedule M Tax Computation** (see instructions)

1 Check if the corporation is a member of a controlled group. ☐   
**Important:** Members of a controlled group, see instructions.

2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, & \$9,925,000 taxable income brackets (in that order):   
 (1) \$ (2) \$ (3) \$   
 b Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750) \$ (2) Additional 3% tax (not more than \$100,000) \$

3 Income tax. Check if a qualified personal service corporation ☐ (see instructions)

4 Alternative minimum tax (attach Form 4626)

5 Add lines 3 and 4

6a Foreign tax credit (attach Form 1118) 6a   
 b Possessions tax credit (attach Form 5735) 6b   
 c Credits from: ☐ Form 8834 ☐ Form 8907, line 23 6c   
 d General business credit. Check box(es) and indicate which forms are attached.   
☐ Form 3800 ☐ Form(s) (specify) 6d   
 e Credit for prior year minimum tax (attach Form 8827) 6e 0.   
 f Bond credits from: ☐ Form 8860 ☐ Form 8912 6f

7 Total credits. Add lines 6a through 6f

8 Subtract line 7 from line 5

9 Personal holding company tax (attach Schedule PH (Form 1120))

10 Other taxes. ☐ Form 4255 ☐ Form 8511 ☐ Form 8697   
 Check if from: ☐ Form 8866 ☐ Form 8902 ☐ Other (all schedule)

11 Total tax. Add lines 8 through 10. Enter here and page 1, line 31

**Schedule M Other Information** (see instructions)

|  | Yes | No |
|--|-----|----|
| 1 Check accounting method:<br>a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual<br>c <input type="checkbox"/> Other (specify) _____  |     |    |
| 2 See the instructions and enter the:<br>a Business activity code no. 517000<br>b Business activity TELECOMMUNICATION<br>c Product or service TELECOMMUNICATION  |     |    |
| 3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)<br>If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.      | X   |    |
| 4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?<br>If "Yes," enter name and EIN of the parent corporation _____  | X   |    |
| 5 At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)<br>If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.)<br>Enter % owned 100%<br><b>SEE STATEMENT 3</b>   | X   |    |
| 6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)<br>If "Yes," file Form 5452, Corporate Report of Nondividend Distributions.<br>If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary. | X   |    |
| 7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation?<br>If "Yes," enter: (a) Percentage owned _____ and (b) Owner's country _____  |     | X  |
| c The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached _____   |     |    |
| 8 Check this box if the corporation issued publicly offered debt instruments with original issue discount. <input type="checkbox"/><br>If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.  |     |    |
| 9 Enter the amount of tax-exempt interest received or accrued during the tax year \$ NONE  |     |    |
| 10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) 1   |     |    |
| 11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here. <input checked="" type="checkbox"/><br>If the corporation is filing a consolidated return, the statement required by Temporary Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.   |     |    |
| 12 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.)<br>\$ 2,825,661   |     |    |
| 13 Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000?<br>If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year \$                                     |     | X  |

**Note:** If the corporation, at any time during the tax year, had assets or operated a business in a foreign country or U.S. possession, it may be required to attach Schedule N (Form 1120), Foreign Operations of U.S. Corporations, to this return. See Schedule N for details.

BAA

CPCA0234L 10/17/05

Form 1120 (2005)

Form 1120 (2005) COMPASS, INC. 22-3559398

Note: The corporation is not required to complete Schedules L, M-1 and M-2 if Question 13 on Schedule K is answered "Yes."

| Schedule L Balance Sheets per Books                    |            | Beginning of tax year |            | End of tax year |             |
|--|------------|-----------------------|------------|-----------------|-------------|
|  | (a)        | (b)                   | (c)        | (d)             |             |
| <b>Assets</b>  |            |                       |            |                 | 902,047.    |
| 1 Cash   |            | 1,072,437.            | 2,142,805. |                 | 2,142,805.  |
| 2a Trade notes and accounts receivable                 | 2,119,767. | 2,119,767.            |            |                 |             |
| b Less allowance for bad debts                         |            |                       |            |                 |             |
| 3 Inventories  |            |                       |            |                 |             |
| 4 U.S. government obligations                          |            |                       |            |                 | 69,721.     |
| 5 Tax-exempt securities (see instructions)             |            | 143,117.              |            |                 |             |
| 6 Other current assets (attach schedule) SEE ST. 4     |            |                       |            |                 |             |
| 7 Loans to shareholders                                |            |                       |            |                 |             |
| 8 Mortgage and real estate loans                       |            |                       |            |                 |             |
| 9 Other investments (attach schedule)                  |            |                       | 334,115.   |                 | 145,772.    |
| 10a Buildings and other depreciable assets             | 333,651.   | 168,106.              | 188,343.   |                 |             |
| b Less accumulated depreciation                        | 165,545.   |                       |            |                 |             |
| 11a Depletable assets                                  |            |                       |            |                 |             |
| b Less accumulated depletion                           |            |                       |            |                 |             |
| 12 Land (net of any amortization)                      |            |                       | 19,989.    |                 |             |
| 13a Intangible assets (amortizable only)               | 19,989.    |                       | 19,989.    |                 | 756,417.    |
| b Less accumulated amortization                        | 19,989.    |                       |            |                 | 4,016,762.  |
| 14 Other assets (attach schedule) SEE ST. 5            |            | 2,417,082.            |            |                 | 5,643,475.  |
| 15 Total assets  |            | 5,920,509.            |            |                 | 9,819.      |
| <b>Liabilities and Shareholders' Equity</b>            |            | 7,923,675.            |            |                 | 471,509.    |
| 16 Accounts payable                                    |            | 9,819.                |            |                 | 24,963.     |
| 17 Mortgages, notes, bonds payable in less than 1 year |            | 219,840.              |            |                 | 285,395.    |
| 18 Other current liabilities (attach sch) SEE ST. 6    |            |                       |            |                 |             |
| 19 Loans from shareholders                             |            | 40,017.               |            |                 | 2,850,000.  |
| 20 Mortgages, notes, bonds payable in 1 year or more   |            |                       |            |                 |             |
| 21 Other liabilities (attach schedule) SEE ST. 7       |            |                       |            |                 |             |
| 22 Capital stock: a Preferred stock                    |            |                       | 2,850,000. |                 |             |
| b Common stock   | 2,850,000. | 2,850,000.            |            |                 |             |
| 23 Additional paid-in capital                          |            |                       |            |                 | -5,268,399. |
| 24 Retained earnings — Approp (att sch)                |            | -5,122,842.           |            |                 |             |
| 25 Retained earnings — Unappropriated                  |            |                       |            |                 |             |
| 26 Adjust to shareholders' equity (att sch)            |            |                       |            |                 | 4,016,762.  |
| 27 Less cost of treasury stock                         |            | 5,920,509.            |            |                 |             |
| 28 Total liabilities and shareholders' equity          |            |                       |            |                 |             |

| Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see instructions) |             | Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L) |             |
|--|-------------|---|-------------|
| 1 Net income (loss) per books  | -145,557.   | 1 Income recorded on books this year not included on this return (itemize):               |             |
| 2 Federal income tax per books   |             | Tax-exempt interest \$  |             |
| 3 Excess of capital losses over capital gains  |             | 8 Deductions on this return not charged against book income this year (itemize):          |             |
| 4 Income subject to tax not recorded on books this year (itemize):                               |             | a Depreciation \$   |             |
| 5 Expenses recorded on books this year not deducted on this return (itemize):                    |             | b Charitable contributions \$   |             |
| a Depreciation \$ 17,126   |             | 9 Add lines 7 and 8   | 0.          |
| b Charitable contributions \$  |             | 10 Income (page 1, line 28) — line 6 less line 9  | -124,620.   |
| c Travel & entertainment \$ 3,811  |             |   |             |
| 6 Add lines 1 through 5  | 20,937.     |   |             |
|  | -124,620.   |   |             |
| 1 Balance at beginning of year   | -5,122,842. | 5 Distributions:  | a Cash      |
| 2 Net income (loss) per books  | -145,557.   | b Stock   | c Property  |
| 3 Other increases (itemize):   |             | 6 Other decreases (itemize):  |             |
|  |             | 7 Add lines 5 and 6   | -5,268,399. |
| 4 Add lines 1, 2, and 3  | -5,268,399. | 8 Balance at end of year (line 4 less line 7)   |             |

Form **4562**

(Rev. January 2005)

Department of the Treasury  
Internal Revenue Service**Depreciation and Amortization**  
**(Including Information on Listed Property)**

- See separate instructions. - Attach to your tax return.

OMB No. 1545-0172

**2005**Attachment  
Sequence No. **67**Identifying number  
**22-3559398**Name(s) shown on return **COMPASS, INC.**  
**FORMERLY FORVAL INTL TELEPHONE, INC.**

Business or activity to which this form relates

**FORM 1120****Part I Election To Expense Certain Property Under Section 179**

Note: If you have any listed property, complete Part V before you complete Part I.

|   |  |   |            |
|---|--|---|------------|
| 1 | Maximum amount. See the instructions for a higher limit for certain businesses   | 1 | \$105,000. |
| 2 | Total cost of section 179 property placed in service (see instructions)  | 2 | 20,453.    |
| 3 | Threshold cost of section 179 property before reduction in limitation  | 3 | \$420,000. |
| 4 | Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-   | 4 | 0.         |
| 5 | Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions. | 5 | 105,000.   |

| 6  | (a) Description of property  | (b) Cost (business use only) | (c) Elected cost |
|----|--|------------------------------|------------------|
| 7  | Listed property. Enter the amount from line 29.  | 7                            | 0.               |
| 8  | Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7                         | 8                            |                  |
| 9  | Tentative deduction. Enter the smaller of line 5 or line 8   | 9                            | 6,096.           |
| 10 | Carryover of disallowed deduction from line 13 of your 2004 Form 4562  | 10                           | 0.               |
| 11 | Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs) | 11                           | 0.               |
| 12 | Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11                        | 12                           | 0.               |
| 13 | Carryover of disallowed deduction to 2006. Add lines 9 and 10, less line 12                                  | 13                           | 6,096.           |

Notes: Do not use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)**

|    |  |    |  |
|----|--|----|--|
| 14 | Special allowance for certain aircraft, certain property with a long production period, and qualified New York Liberty or GO Zone property (other than listed property) placed in service during the tax year (see instrs) | 14 |  |
| 15 | Property subject to section 168(f)(1) election   | 15 |  |
| 16 | Other depreciation (including ACRS)  | 16 |  |

**Part III MACRS Depreciation (Do not include listed property.) (See instructions.)**

| Section A |   | 17 | 15,911 |
|-----------|---|----|--------|
| 17        | MACRS deductions for assets placed in service in tax years beginning before 2005.....   |    |        |
| 18        | If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here..... <input type="checkbox"/> |    |        |

| Section B - Assets Placed in Service During 2005 Tax Year Using the General Depreciation System |                                      |  |                     |                |            |                            |
|---|--------------------------------------|--|---------------------|----------------|------------|----------------------------|
| (a) Classification of property  | (b) Month and year placed in service | (c) Basis for depreciation (business/investment use only - see instructions) | (d) Recovery period | (e) Convention | (f) Method | (g) Depreciation deduction |
| 19a 3-year property   |                                      | 20,453.  | 5                   | HY             | 200DB      | 4,091.                     |
| b 5-year property   |                                      |  |                     |                |            |                            |
| c 7-year property   |                                      |  |                     |                |            |                            |
| d 10-year property  |                                      |  |                     |                |            |                            |
| e 15-year property  |                                      |  |                     |                |            |                            |
| f 20-year property  |                                      |  | 25 yrs              |                | S/L        |                            |
| g 25-year property  |                                      |  | 27.5 yrs            | MM             | S/L        |                            |
| h Residential rental property   |                                      |  | 27.5 yrs            | MM             | S/L        |                            |
| i Nonresidential real property  |                                      |  | 39 yrs              | MM             | S/L        |                            |

| Section C - Assets Placed in Service During 2005 Tax Year Using the Alternative Depreciation System |  |  |        |    |     |  |
|---|--|--|--------|----|-----|--|
| 20a Class life  |  |  |        |    | S/L |  |
| b 12-year   |  |  | 12 yrs |    | S/L |  |
| c 40-year   |  |  | 40 yrs | MM | S/L |  |

| Part IV Summary (see instructions) |  |    | 21 | 4,725.  |
|------------------------------------|--|----|----|---------|
| 21                                 | Listed property. Enter amount from line 28   |    |    |         |
| 22                                 | Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions |    | 22 | 24,727. |
| 23                                 | For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs  | 23 |    |         |

BAA For Paperwork Reduction Act Notice, see separate instructions.

FD120012L 12/29/05

Form 4562 (2005) (Rev 1-2006)

**Part I Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A - Depreciation and Other Information** (Caution: See the instructions for limits for passenger automobiles.)

| 24a Do you have evidence to support the business/investment use claimed?   |                        | 24b If 'Yes,' is the evidence written? |                     | 25  |                 | 26                |                        | 27                       |     | 28  |     | 29     |     |
|--|------------------------|--|---------------------|---|-----------------|-------------------|------------------------|--------------------------|-----|-----|-----|--------|-----|
| (a)  | (b)                    | (c)                                    | (d)                 | (e)   | (f)             | (g)               | (h)                    | (i)                      | (j) | (k) | (l) | (m)    | (n) |
| Type of property (list vehicles first)   | Date placed in service | Business/investment use percentage     | Cost or other basis | Basis for depreciation (business/investment use only) | Recovery period | Method/convention | Depreciation deduction | Elected section 179 cost |     |     |     |        |     |
| 25 Special allowance for certain aircraft, certain property with a long production period, and qualified New York Liberty or GO Zone property placed in service during the tax year and used more than 50% in a qualified business use (see instructions). |                        |  |                     |   |                 |                   |                        |                          |     |     |     |        |     |
| 26 Property used more than 50% in a qualified business use:  |                        |  |                     |   |                 |                   |                        |                          |     |     |     |        |     |
| AUTOMOBILE   | 9/15/00                | 100.0                                  | 46,110.             | 46,110.   | 5.0             | 200DB HY          | 1,775.                 |                          |     |     |     |        |     |
| AUTOMOBILE   | 1/03/03                | 100.0                                  | 35,169.             | 27,509.   | 5.0             | 200DB HY          | 2,950.                 |                          |     |     |     |        |     |
| 27 Property used 50% or less in a qualified business use:  |                        |  |                     |   |                 |                   |                        |                          |     |     |     |        |     |
|  |                        |  |                     |   |                 |                   |                        |                          |     |     |     |        |     |
|  |                        |  |                     |   |                 |                   |                        |                          |     |     |     | 4,725. |     |
| 28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1   |                        |  |                     |   |                 |                   |                        |                          |     |     |     | 29     | 0.  |
| 29 Add amounts in column (i), line 26. Enter here and on line 7, page 1  |                        |  |                     |   |                 |                   |                        |                          |     |     |     |        |     |

**Section B - Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

|  | (a)       | (b)       | (c)       | (d)       | (e)       | (f)       |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Vehicle 1 | Vehicle 2 | Vehicle 3 | Vehicle 4 | Vehicle 5 | Vehicle 6 |
| 30 Total business/investment miles driven during the year (do not include commuting miles) |           |           |           |           |           |           |
| 31 Total commuting miles driven during the year  |           |           |           |           |           |           |
| 32 Total other personal (noncommuting) miles driven  |           |           |           |           |           |           |
| 33 Total miles driven during the year. Add lines 30 through 32                             |           |           |           |           |           |           |
|  | Yes       | No        | Yes       | No        | Yes       | No        |
| 34 Was the vehicle available for personal use during off-duty hours?                       |           |           |           |           |           |           |
| 35 Was the vehicle used primarily by a more than 5% owner or related person?               |           |           |           |           |           |           |
| 36 Is another vehicle available for personal use?  |           |           |           |           |           |           |

**Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

|  | Yes | No |
|--|-----|----|
| 37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?   |     |    |
| 38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners. |     |    |
| 39 Do you treat all use of vehicles by employees as personal use?  |     |    |
| 40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?  |     |    |
| 41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions).   |     |    |

Note: If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.

**Part VI Amortization**

| (a)  | (b)                      | (c)                | (d)          | (e)                               | (f)                        |
|--|--------------------------|--------------------|--------------|-----------------------------------|----------------------------|
| Description of costs   | Date amortization begins | Amortizable amount | Code section | Amortization period or percentage | Amortization for this year |
| 42 Amortization of costs that begins during your 2005 tax year (see instructions): |                          |                    |              |                                   |                            |
|  |                          |                    |              |                                   |                            |
| 43 Amortization of costs that began before your 2005 tax year.                     |                          |                    |              |                                   | 44                         |
| 44 Total. Add amounts in column (f). See instructions for where to report.         |                          |                    |              |                                   |                            |

Form **8827****Credit for Prior Year Minimum Tax -- Corporations**

OMB No. 1545-1247

**2005**Department of the Treasury  
Internal Revenue Service

▶ Attach to the corporation's tax return.

Name

**COMPASS, INC.  
FORMERLY FORVAL INTL TELEPHONE, INC**

Employer identification number

**22-3559398**

|   |   |         |
|---|---|---------|
| 1 | Alternative minimum tax (AMT) for 2004. Enter the amount from line 14 of the 2004 Form 4626   |         |
| 2 | Minimum tax credit carryforward from 2004. Enter the amount from line 9 of the 2004 Form 8827   | 25,300. |
| 3 | Enter the total of any 2004 unallowed nonconventional source fuel credit and 2004 unallowed qualified electric vehicle credit (see instructions)  |         |
| 4 | Add lines 1, 2, and 3   | 25,300. |
| 5 | Enter the corporation's 2005 regular income tax liability minus allowable tax credits (see instructions)  |         |
| 6 | Is the corporation a 'small corporation' exempt from the AMT for 2005 (see instructions)?<br>• Yes, Enter 25% of the excess of line 5 over \$25,000. If line 5 is \$25,000 or less, enter -0-.<br>• No. Complete Form 4626 for 2005 and enter the tentative minimum tax from line 12. |         |
| 7 | Subtract line 6 from line 5. If zero or less, enter -0-   | 0.      |
| 8 | Minimum tax credit. Enter the smaller of line 4 or line 7 here and on Form 1120, Schedule J, line 6e or the appropriate line of the corporation's income tax return. If the corporation had a post-1986 ownership change or has pre-acquisition excess credits, see instructions      | 0.      |
| 9 | Minimum tax credit carryforward to 2006. Subtract line 8 from line 4. Keep a record of this amount to carry forward and use in future years   | 25,300. |

Form 8827 (2005)

BAA For Paperwork Reduction Act Notice, see separate instructions.

2005

## FEDERAL STATEMENTS

PAGE 1

COMPASS, INC.  
FORMERLY FORVAL INTL TELEPHONE, INC

22-3559398

STATEMENT 1  
FORM 1120, LINE 26  
OTHER DEDUCTIONS

|                              |                 |
|------------------------------|-----------------|
| AUTO AND TRUCK.....          | \$ 25,535.      |
| BANK CHARGES.....            | 107,429.        |
| COMMISSIONS.....             | 91,980.         |
| CONFERENCE.....              | 625.            |
| CONTRACTED LABOR.....        | 57,778.         |
| EMPLOYMENT AGENCY FEE.....   | 6,400.          |
| INSURANCE.....               | 5,828.          |
| INTERNET.....                | 46,771.         |
| LEGAL AND PROFESSIONAL.....  | 182,688.        |
| MEALS AND ENTERTAINMENT..... | 3,811.          |
| MISCELLANEOUS.....           | 8,178.          |
| OFFICE EXPENSE.....          | 11,935.         |
| PAYROLL SERVICE.....         | 3,223.          |
| POSTAGE.....                 | 1,026.          |
| SUPPLIES.....                | 4,502.          |
| TELEPHONE.....               | 39,780.         |
| TEMPORARY HELP.....          | 6,506.          |
| TRAVEL.....                  | 25,981.         |
| UTILITIES.....               | 9,498.          |
| TOTAL \$                     | <u>639,474.</u> |

STATEMENT 2  
FORM 1120, LINE 29A  
NET OPERATING LOSS DEDUCTION

|   |               |            |
|---|---------------|------------|
| CARRYOVER GENERATED FROM YEAR END 12/31/99                          | \$ 575,101.   |            |
| AMOUNT UTILIZED IN  | 178,486.      |            |
| TOTAL UTILIZATION   | \$ 178,486.   |            |
| AVAILABLE FOR CARRYOVER TO 2005.....                                |               | 396,615.   |
| CARRYOVER GENERATED FROM YEAR END 12/31/02                          | \$ 23,962.    |            |
| AVAILABLE FOR CARRYOVER TO 2005.....                                |               | 23,962.    |
| CARRYOVER GENERATED FROM YEAR END 12/31/03                          | \$ 574,638.   |            |
| AVAILABLE FOR CARRYOVER TO 2005.....                                |               | 574,638.   |
| CARRYOVER GENERATED FROM YEAR END 12/31/04                          | \$ 1,830,446. |            |
| AVAILABLE FOR CARRYOVER TO 2005.....                                |               | 1,830,446. |
| NET OPERATING LOSSES AVAILABLE IN 2005.....                         | \$ 2,825,661. |            |
| TAXABLE INCOME.....   |               | -124,620.  |
| TOTAL NET OPERATING LOSS DEDUCTION (LIMITED TO TAXABLE INCOME)..... |               | <u>0.</u>  |



2005

## FEDERAL STATEMENTS

PAGE 2

COMPASS, INC.  
FORMERLY FORVAL INTL TELEPHONE, INC

22-3559398

STATEMENT 3  
FORM 1120, SCHEDULE K, LINE 5  
50% OR MORE OWNERSNAME : PARAGON MANAGEMENT GROUP, INC.  
ID NUMBER : 22-3712919  
PERCENTAGE OWNED : 100.00%STATEMENT 4  
FORM 1120, SCHEDULE L, LINE 6  
OTHER CURRENT ASSETS

|                       | BEGINNING   | ENDING     |
|-----------------------|-------------|------------|
| PREPAID EXPENSES..... | \$ 143,117. | \$ 69,721. |
| TOTAL                 | \$ 143,117. | \$ 69,721. |

STATEMENT 5  
FORM 1120, SCHEDULE L, LINE 14  
OTHER ASSETS

|                         | BEGINNING     | ENDING      |
|-------------------------|---------------|-------------|
| DUE FROM AFFILIATE..... | \$ 2,393,637. | \$ 732,972. |
| SECURITY DEPOSIT.....   | 23,445.       | 23,445.     |
| TOTAL                   | \$ 2,417,082. | \$ 756,417. |

STATEMENT 6  
FORM 1120, SCHEDULE L, LINE 18  
OTHER CURRENT LIABILITIES

|                        | BEGINNING   | ENDING      |
|------------------------|-------------|-------------|
| ACCRUED EXPENSESE..... | \$ 219,840. | \$ 471,509. |
| TOTAL                  | \$ 219,840. | \$ 471,509. |

STATEMENT 7  
FORM 1120, SCHEDULE L, LINE 21  
OTHER LIABILITIES

|                        | BEGINNING | ENDING      |
|------------------------|-----------|-------------|
| DUE TO AFFILIATES..... | \$ 0.     | \$ 285,395. |
| TOTAL                  | \$ 0.     | \$ 285,395. |